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SUBJECT: TURKEY: BTC FIRST OIL - ALMOST THERE

REF: A) ANKARA 2899

B) ANKARA 2009
C) ANKARA 1705

Sensitive But Unclassified. Please handle accordingly.

¶1. (SBU) SUMMARY: BTC has struck a deal with BOTAS to pay all of the disputed cost over-runs in exchange for three-year management control of the pipeline operating company BIL. A "cold tap" on the pipeline has delayed line fill and first tanker loading to the week of May 29. BP shares the Turkish Government's hope for high level USG representation at the July 13 inauguration ceremony. End Summary.

BTC and BOTAS Strike a Deal

¶2. (SBU) In a May 26 meeting with DCM, BTC CEO Michael Townshend said that the BTC consortium had initialed an agreement with BOTAS to cover all of the disputed cost over-runs (\$330 million; reftels) in exchange for BTC gaining management control of BOTAS International (BIL), the BTC pipeline operating company, for three years. The agreement also identifies and clears up all cost over-runs, so there will be no more surprises. The tariff payments will not be affected.

First Oil at May 30 - Worries about Tapping

¶3. (SBU) Townshend said discovery of a "cold tap" (pipe intrusion in the dry pipe) had delayed line fill for a few days. He said the first tanker arrives at Ceyhan on May 26 and oil from the pipeline will arrive at the terminal a few days later. After a few days for filling the oil tanks, the first tanker will finally take on oil. In an ironic twist, Townshend revealed that the customer for the first tanker load would be an EXXON tanker headed to a refinery in Italy. Noting that this had been the second tap intrusion in the pipeline in Turkey, Townshend said that he had expressed concern to Energy Minister Guler. According to Townshend, Guler said the government would take appropriate measures, but new EU rules

constrained their capacity. A cartoon in the May 26 daily "Sabah" newspaper depicted "cold tappers" complaining about the opening ceremony interfering with their activities.

July 13 Ceremony and Gala

¶4. (SBU) Ref A conveyed Post's recommendation that Energy Secretary Bodman attend the expected July 13 inauguration ceremony (about 11:00 to 14:00 in an air-conditioned tent) in Ceyhan and gala dinner in Istanbul. Both the Turkish Government and BP are hoping for high level USG representation at this prominent event. The Turkish MFA told us they hope to send formal invitations early in the week of May 29.

WILSON